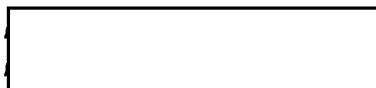


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BIWEEKLY REPORT

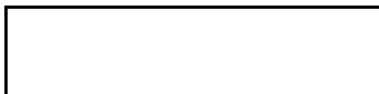
SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR 1/139

5 June 1961

PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS

ECONOMIC INTELLIGENCE COMMITTEE



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Summary of Events
19 May - 1 June 1961

The Dantas (Brazilian) economic mission has completed its tour of the European Satellites and has concluded trade protocols with Czechoslovakia and Poland and a 5-year trade and payments agreement with East Germany. A separate Brazilian delegation also has completed scheduled trade negotiations with the USSR.

The USSR recently sent to Guinea equipment for a 500-bed hospital to be located in Conakry. The first group of Soviet medical technicians who will supervise the installation of the equipment also has left for Guinea.

On 8 May, Morocco concluded a scientific and technical cooperation agreement with Czechoslovakia, the first such accord by Morocco with a Bloc country. Morocco also signed a civil aviation pact with Czechoslovakia that will permit the extension of Czechoslovak commercial air service from Morocco to Bamako and Accra.

25X1 [] 100 MIG-19 supersonic jet fighters have been delivered to the United Arab Republic (UAR) since the first shipment last January. Other arms supplied to the UAR under new agreements include as many as 120 T-54 medium tanks as well as self-propelled assault guns, artillery, and a wide variety of other military items. A contract also has been signed for 10 Yak-24 helicopters, and rumors persist that 3 more submarines will be delivered under new naval agreements.

On 6 May, Communist China announced the establishment of a Bureau for Economic Relations with Foreign Countries. The new agency probably will administer China's foreign aid and technical assistance program, which by the end of 1960 consisted of commitments totaling more than \$1 billion. Of these commitments, \$816 million were extended to other Bloc countries and \$266 million to countries of the Free World.

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SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS*

I. General

Chinese Communist Bureau for Economic Relations with Foreign Countries

On 6 May the Chinese Communist press announced the establishment by the State Council of a Bureau for Economic Relations with Foreign Countries. The new agency, which presumably will administer the many foreign aid and technical assistance programs of Communist China, apparently will be similar in functions to the Soviet State Committee for Foreign Economic Relations. The establishment of a separate government organization indicates the importance that Peiping attaches to its foreign aid programs, and close coordination with foreign policy has been insured by the appointment of the Director of the Bureau, Fang Yi, as Deputy Director of the Foreign Affairs Staff Office. [REDACTED]

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Of the eight deputy directors appointed to the Bureau, five have had frequent contact on economic matters with other Bloc countries and with the countries of Southeast Asia. Three of the new officers have held industrial posts with no previous experience in foreign economic relations, but one of these, who was formerly associated with the ministry controlling the manufacture of military armaments, may head a military aid section of the new Bureau. [REDACTED]

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Notwithstanding its serious economic difficulties, Communist China has continued to maintain a foreign aid program of increasing magnitude. By the end of 1960 the foreign assistance commitments of China totaled

* Although the main emphasis of the Biweekly Report is on economic activities of the Sino-Soviet Bloc in underdeveloped areas of the Free World, significant Bloc activities of this nature in areas not considered underdeveloped also will be discussed.

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more than \$1 billion, * of which \$816 million were extended to other Bloc countries and \$266 million to countries of the Free World. New aid commitments (including intra-Bloc aid) during 1960 amounted to \$294 million, and additional extensions through May 1961 have added \$396 million more. About 64 percent of the foreign aid program of China has thus been committed since January 1960. The consolidation of China's mounting aid activities within the new Bureau probably will permit more effective political and economic control over this aspect of China's foreign economic relations. [REDACTED]

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II. Latin America

Completion of Brazilian Economic Negotiations with the Bloc

The Dantas mission has completed its tour of the European Satellites, concluding trade protocols with Czechoslovakia and Poland and a 5-year trade and payments agreement with East Germany. From the conflicting reports received, it appears that the mission negotiated trade goals which, if fulfilled, would increase Brazil's total trade with these three Bloc regimes from \$107 million in 1960 to approximately \$280 million annually. [REDACTED]

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Meanwhile a separate Brazilian delegation completed scheduled trade negotiations with the USSR under the existing agreement. These discussions reportedly resulted (1) in a decision to establish resident trade missions in Moscow and Rio de Janeiro, (2) in the raising of the credit limit (swing balance) from \$4 million to \$8 million, and (3) in the signing of contracts regulating trade for the next year. Press accounts place the trade goal for 1961 at \$80 million, an increase of \$10 million above the level for 1961 as specified by the Soviet-Brazilian agreement of 1959 and nearly \$50 million above the value of trade in 1960. A French press report states that petroleum products and wheat will be exchanged for coffee. The quantities listed will closely approximate those listed in the agreement of 1959. The French press report also makes an otherwise unverified assertion that long-term payment

* Unless otherwise specified, all dollar values in this report are in terms of US dollars.

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25X1 facilities were provided for Brazilian imports of Soviet capital equipment, but no details were given. The increase in the credit limit can provide Brazil with a small credit, as, by the end of 1960, Brazil had already exceeded the \$4 million credit ceiling previously negotiated.

[REDACTED]

25X1 In general, the trade goals established with the USSR, East Germany, Poland, and Czechoslovakia appear to have a firmer economic foundation than do those negotiated with the other Satellites.* From analysis of the information available, it would appear that the Bloc has pledged to increase its exports to Brazil by more than \$200 million annually in return for a nearly equal amount of Brazilian exports. Brazil now has 3- to 5-year trade agreements with most of these countries, and the Bloc will have obtained, if the trade goals are fulfilled, a continuous commitment to nearly one-fifth of Brazil's total trade. Should this expanded bilateral trade be achieved without diversion from present trade channels, it would increase Brazil's total world trade by 10 to 20 percent.

[REDACTED]

III. Middle East

[REDACTED]

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25X1 * See the Biweekly Report of 20 May 1961.

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The USSR recently sent to Guinea equipment for a 500-bed hospital as well as the first group of a Soviet medical staff that will supervise the installation of the equipment. The hospital, to be located in Conakry, will be the largest medical facility in the country and will include departments of surgery, dentistry, therapeutics, and physiotherapy. [REDACTED]

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Although available information specifically states that the equipment is being provided on a grant basis, the exclusion of the costs of technical assistance from the announcement may indicate that Guinea will finance this part of the project. It also is not clear whether the USSR will construct a hospital building or whether it will install the equipment in an existing structure. In the former case, the value of the new facility may be about \$6 million, the value of the 500-bed hospital constructed by the USSR in Cambodia. [REDACTED]

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B. Economic Aid Agreement Between Morocco and Czechoslovakia

On 8 May, Morocco and Czechoslovakia concluded a scientific and technical cooperation agreement, the first such agreement that Morocco has signed with a Bloc country. Czechoslovakia agreed to provide machinery on very favorable terms for a sugar refinery, a textile plant, and a minerals-enriching plant. The Moroccan Government agency Bureau D'Etudes de Participation Industrielle (BEPI) reportedly will build the factories, with Czechoslovakia providing equipment and technical assistance. [REDACTED]

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Morocco has long been interested in at least two of the three industries specified in the agreement. In 1960, work was started in Fez on a textile factory in which BEPI is a major participant. Although it was announced originally that the machinery for this plant would be procured in Italy, Czechoslovakia may have obtained the contract by offering more advantageous terms. [REDACTED]

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